DOCUMENT RESUME

ED 277 328 HE 019 950

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TITLE Appropriations in the 1986-87 State Budget for the Public Segments of Higher Education. Proposition 61 and Its Potential Impact on Public Postsecondary Education. California Postsecondary Education Commission Report No. 86-28.
INSTITUTION California State Postsecondary Education Commission, Sacramento.
PUB DATE Sep 86
NOTE 22p.
AVAILABLE FROM California Postsecondary Education Commission, Third Floor, 1020 Twelfth Street, Sacramento, CA 95814 (free).
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Capital Outlay (for Fixed Assets); Community Colleges; *Compensation (Remuneration); Expenditures; Government School Relationship; *Operating Expenses; *Postsecondary Education; *Public Colleges; *Resource Allocation; *State Aid; State Universities
IDENTIFIERS *California; California Community Colleges; California State University; University of California

ABSTRACT

The 1986-1987 budget for California public colleges and universities is reviewed, as well as the overall state budget and funding for the California Student Aid Commission's programs. The effects on public colleges of a proposition to compensate government workers and contractors are also considered. The 1986 Budget Act appropriates 55% of the State General Fund for education (39.4% for public schools and 15.7% for postsecondary education). In total, education receives a 9.3% increase over 1985-1986 funding levels. Figures are provided for capital outlay and current operations expenditures by category, as well as funding for the University of California, California State University, and the California community colleges. After reviewing the effect of Proposition 61 on the three segments of public postsecondary education, it is concluded that passage of the proposition would jeopardize the ability of the state's public colleges and universities to recruit and retain senior-level faculty and administrators. Employees would also be negatively affected by restrictions on their vacation and sick leave. (SW)

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Summary

These two reports were prepared by Kevin Gerard Woolfork of the California Postsecondary Education Commission staff and discussed by the Commission at its September 15, 1986, meeting.

The first report, on pages 1-6, is the tenth in the staff's series of analyses of funding levels in California's annual Budget Acts and of State funding for the University of California, the California State University, the California Community Colleges, and the California Student Aid Commission.

The second report, on pages 7-12, describes the major provisions of Proposition 61 -- the "Gann initiative" -- that will appear on the November 4 ballot. It notes several ambiguities of the initiative that make firm estimates of its impact unlikely, but it then uses the best available data to calculate the initiative's potential effects on California's public colleges and universities, and it concludes that passage of Proposition 61 would seriously disrupt their operation.

Additional copies of this document may be obtained without charge from the Publications Office of the Commission. Further information about both reports may be obtained from Kevin Woolfork at (916) 322-8025 or from Suzanne Ness, the public information officer of the Commission, at (916) 322-0145.

Appropriations in the 1986-87 State Budget for the Public Segments of Higher Education

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Proposition 61 and Its Potential Impact on Public Postsecondary Education

Two Reports by Staff of the California Postsecondary Education Commission

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
Third Floor • 1020 Twelfth Street • Sacramento, California 95814

COMMISSION REPORT 86-28
PUBLISHED SEPTEMBER 1986

THIS is the first in a series of staff reports on important issues affecting California postsecondary education. These reports are brought to the California Postsecondary Education Commission for discussion rather than for action, and they represent the interpretation of the staff rather than the formal position of the Commission as expressed in its adopted resolutions and reports containing policy recommendations.

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Appropriations in the 1986-87 State Budget for the Public Segments of Higher Education

ON June 25, Governor George Deukmejian signed the 1986 Budget Act. This is the third State budget in a row that gives priority to education and in which funding increases for higher education exceed the rate of inflation. The following pages summarize the budget in general and then describe funding of the public segments of higher education and the California Student Aid Commission's programs.

Overall funding levels in the 1986 Budget Act

The 1986-87 State Budget contains $36.9 billion in total State spending -- a 6 percent increase over 1985-86, as shown in Table 1 below. This includes General Funds of $30.6 billion, Special Funds of $5.4 billion, and a $1 billion reserve. The budget is $95 million, or approximately 2.5 percent, under the spending ceiling set by the "Gann Appropriations Limit" Initiative approved by the voters in 1979 as Proposition 4. It includes $130 million in programmatic increases augmented by the State Legislature but does not include $423 million in other legislative initiatives vetoed by the Governor. His major vetoes based on policy included:

$55 million for California Mass Transit;

$39 million for court-ordered and voluntary school desegregation programs;

$27 million for cost-of-living adjustment (COLA) augmentations to increase some discretionary COLA's in many K-12 programs;

$20 million for funding AIDS research;

$18 million for "in-home" support services for the elderly; and

$10 million for a Community College staff development program.

TABLE 1 Summary of General Fund Revenues and Expenditures in the 1986-87 Budget, in Thousands of Dollars

	1985-86	1986-87	Percent Change
REVENUES			
Prior Year Balance	$ 1,400,200	$ 569,800	- 59.3%
Revenues and Transfers	28,126,600	31,135,400	+10.7
Total Resources Available	$29,526,800	$ 31,705,200	+7.4
EXPENDITURES			
1986-87 Budget Approved by the State Legislature	$ 28,961,800	$ 31,032,600	+7.2
Governor's Vetoes*	501,100	423,000	- 15.6
Reserve Fund for Economic Uncertainty	537,000	1,041,100	+94.0
Special Reserves	32,100	13,700	- 57.2
Final Adjusted Expenditures	$ 28,957,000	$ 30,650,400	+5.9

* Does not include $283 million set aside for programs in anticipation of the Legislature passing a bill to transfer $300 million of PERS monies into the State General Fund. As of September 2, this legislation had not been approved.

Source: Office of the Governor Press Release 542; June 25, 1986.

The Budget Act message contains language that vetoes funding for certain items but makes it clear that the Governor will approve the expenditures if certain legislation is passed. These items include Community College matriculation ($21 million) as well as stabilization funds for Community College districts experiencing revenue losses due to declining average daily attendance ($34 million). The funding vehicle for these programs would transfer approximately $300 million from the Public Employees' Retirement Fund to the State General Fund. Since the legislation authorizing this transfer did not pass prior to the signing of the budget, these items are not funded in the Budget Act. If the PERS funding transfer becomes law, legislation will be needed to authorize spending for these programs "set aside" by the Governor.

The 1986-87 Budget Act appropriates the State General Fund as follows:

- 55 percent for education (39.4 percent for K-12 and 15.7 percent for postsecondary education);
- 30 percent for health and welfare programs;
- 5 percent for youth and adult correctional programs; and
- 10 percent for all other State government programs;

Funding levels for the public segments and the Student Aid Commission

In total, education received a 9.3 percent increase over 1985-86 funding levels, and public postsecondary education's share of the State General Fund increased by 7.2 percent. This increase translates into General Fund increases of 9.1 percent for the University of California, 7.7 percent for the California State University, a 7.1 percent increase in State General Funds for the Community Colleges, and 7.0 percent for the Student Aid Commission's programs.

Funding for capital outlay projects in public postsecondary education is treated differently this year. Tidelands Oil Fund revenues are the traditional source of funding for the State's building projects, the first $125 million of these funds being channeled through the Capital Outlay Fund for Public Higher Education (COFPHE). The Tidelands fund has shrunk due to the decline in world oil prices over the past nine months from $30 a barrel to below $15. Initially, the Tidelands Fund had been projected as providing $425 million for 1986-87 building needs. Current projections, however, show that the actual amount will be considerably less.

As a result, the 1986 Budget Act identifies a total of $230 million in capital outlay projects to be funded through a $400 million General Obligation Bond issue that will appear on the November 1986 ballot. These bonds would fund the State's capital outlay proposals for both 1986-87 and 1987-88. Those projects approved for 1986-87 are appropriated in the budget, and those to be funded in 1987-88 will be determined through the regular budget process for the segments and other State agencies.

Tables 2 through 5 compare 1985-86 and 1986-87 support from the State for current operations for the public segments of postsecondary education and the Student Aid Commission.

University of California

Highlights of the University's 1986-87 budget for support of current operations include:

- $65.5 million for a 5 percent increase in faculty and nonfaculty salaries and $8.7 million to maintain benefits equal to those provided for other State employees;
- $12.0 million to preclude an increase in student fees by allowing the University to redirect some funds to other fee-supported programs to cover the cost of inflation;
- $14.7 million to fund projected enrollment increases of 2,700 undergraduates, 200 general-campus graduate students, and 71 health sciences graduate students; and
- $7.5 million for an operating subsidy for the teaching hospitals, and a promised $7.5 million more if needed.

Capital outlay

Major capital outlay projects approved for 1986-87 include:

- $1.3 million for planning a new Graduate School

TABLE 2 University of California Current Operating and Capital Outlay Funds in the 1984 and 1985 Budget Acts, in Thousands of Dollars

	1985-86	1986-87	Percent Change
SUPPORT FOR CURRENT OPERATIONS (Budgeted Programs)			
General Fund	$1,646,441	$1,795,665	+9.1%
Fees and Other General Purpose Funds	298,669	304,835	+2.1
Lottery	7,500	10,200	+36.0
Subtotal	$1,952,610	$2,110,700	+8.1%
Other Funds	1,338,978	1,401,165	+4.6
TOTAL	$3,291,588	$3,511,865	+6.7%

CAPITAL OUTLAY	1986-87 Regents' Request	1986-87 Budget Act
High Technology Revenue Bonds	$103,033	$72,100
Capital Outlay Fund for Public Higher Education (COFPHE)	25,982	500
Capital Outlay Bond Fund (General Obligation)	--	86,400
Other Funds	33,458	--
State Higher Education Construction Program Bond Act of 1966	--	200
TOTAL, State-Supported Capital Outlay Funds	$162,473	$159,200

Sources: Department of Finance Memorandum E:244/3 (June 24, 1986); "The 1986-87 Budget Act for the University of California," prepared by the Office of the President, University of California, for the Regents' Committee on Finance meeting, Santa Cruz, July 17, 1986; and 1986-87 *Governor's Budget.*

of International Relations and Pacific Studies at San Diego;

- $27.6 million for construction of a physical sciences building and $1.2 million in planning funds to expand the biological sciences building at Irvine;
- $1.4 million in planning funds for an addition to house chemistry and microbiology at UCLA;
- $3.2 million for working drawings for library expansions at Davis and San Francisco; and
- $3.9 million for equipment as the last phase of the remodeling of the life sciences building at Berkeley

The California State University

Highlights of the State University's 1986-87 operating budget include:

- $74.9 million to increase faculty salaries by 6.8 percent and nonfaculty salaries by 5 percent. This will retain parity with the State University's comparison institutions. Four and one-half million dollars of the total is included to maintain and enhance benefits.
- $16.0 million for student financial aid to preclude an increase in student fees;
- $14.1 million and 457.4 positions to fund the projected enrollment increase of 4,985 full-time-equivalent students; and
- $660,000 to better prepare minority students for college and to help reduce the high turnover rate among new teachers within inner city schools.

Capital outlay

Major capital outlay projects approved for 1986-87 include:

TABLE 3 California State University Current Operating and Capital Outlay Funds in the 1984 and 1985 Budget Acts, in Thousands of Dollars

	1985-86	1986-87	Percent Change
SUPPORT FOR CURRENT OPERATIONS			
General Fund[1]	$ 1,505,726	$ 1,622,563	+7.7%
Lottery	13,600	18,500	+36.0
Subtotal	$ 1,519,326	$ 1,641,063	+8.0%
Other Funds	395,232	402,517	+1.8
TOTAL	$ 1,914,558	$ 2,043,579	+6.7%

	1986-87 Revised Trustees' Request[2]	1986-87 Budget Act
CAPITAL OUTLAY		
Capital Outlay Fund for Public Higher Education (COFPHE)	$ 14,555	$ 3,750
High Technology Revenue Bonds	27,249	26,057
Library Bonds	1,870	1,870
State Higher Education Construction Program Bond Act of 1966	730	455
Higher Education Capital Outlay Bond Fund (General Obligation)	73,048	78,430
Energy Revenue Bonds	3,750	3,130
TOTAL, State-Supported Capital Outlay Funds	$ 121,202	$ 113,692

1. Includes student fee revenues, which are now reflected as a general reimbursement to the State.

2. The Trustees of the State University revised their capital outlay request upon consultation with the Department of Finance during the development of the Finance "May Revision" report to the Legislature.

Sources: Department of Finance, memorandum E:236/1/ (June 24, 1986); Office of the Chancellor, The California State University, "Final Report on 1986-87 Support Budget & Capital Outlay Program, July 1986."

- $4.4 million for constructing a gymnasium at California State University, Bakersfield;
- $7.2 million to construct an addition to California State University, Fullerton's engineering building, which will also include self-instruction computer laboratories;
- $7.3 million to expand a building to house classrooms, faculty offices, and student service offices at San Diego State University;
- $12.5 million for remodeling and constructing an addition to the sciences building at California State University, Northridge; and
- Approximately $14 million for planning and constructing library facilities on State University campuses at Long Beach, Northridge, Pomona, Sacramento, and Stanislaus.

California Community Colleges

Highlights of the Community Colleges' 1986-87 operating budget include:

- Full funding of the statutory provisions contained in Senate Bill 851 for the apportionment program;
- $35 million from the Higher Education Capital Outlay Bond Fund to replace obsolete instructional equipment, if voters approve a $400 million General Obligation Bond issue in November;
- $12.7 million to the deferred maintenance program to help reduce the backlog currently estimated at $100 million;
- $34 million to assist districts losing base revenue in 1984-85 and 1985-86 due to declining average daily attendance -- the second year in a row that

the Governor has provided this "ADA stabilization" money. These funds were vetoed, however, as described earlier; and

- $21 million in new funding for a program of assessment, counseling, placement, and follow-up termed "matriculation." As is the case with the stabilization support, funding for this matriculation program will depend on the Legislature's approval of redirecting surplus funds from the Public Employees' Retirement System to the State General Fund.

Capital outlay

- $3.5 million for the final phase of construction for a multipurpose office and library building and for new equipment at Cuyamaca College;
- $3.5 million for construction of a building to house faculty offices, classrooms, and student service facilities at Glendale Community College;
- $1.6 million to complete building and provide equipment for a vocational education building at the Copper Mountain Center of the College of the Desert;
- $5.3 million for constructing a learning resources center at Santa Barbara City College; and
- $3.6 million for constructing two new buildings for use as educational facilities at Irvine Valley College.

TABLE 4 California Community Colleges Current Operating and Capital Outlay Funds in the 1984 and 1985 Budget Acts, in Thousands of Dollars

	1985-86	1986-87	Percent Change
SUPPORT FOR CURRENT OPERATIONS			
General Fund[1]	$ 1,182,683	$ 1,267,000	+7.1%
Local Property Tax Revenue	491,400	528,700	+7.6
Lottery	37,000	50,300	+36.0
Student Enrollment Fees	71,300	72,200	+1.3
State School Funds[1]	2,709	2,085	-23.0
Subtotal	$ 1,776,874	$ 1,908,947	+7.4%
Other Funds	39,531	70,345	+77.0
TOTAL	$ 1,816,405	$ 1,979,292	+9.0%

CAPITAL OUTLAY	1986-87 Amended Board of Governor's Request[2]	1986-87 Budget Act
Capital Outlay Fund for Public Higher Education (COFPHE)	$ 65,326	$ 38,200
Federal Trust Fund	5,730	---
Instructional Equipment[3]	35,000	35,000
TOTAL, State-Supported Capital Outlay	$ 105,056	$ 73,200

1. Federal Mineral Revenues, in lieu of property taxes.
2. The Board of Governors amended their request for State funding for capital outlay projects in a letter dated, February 24, 1986.
3. $31 million of the 1986-87 funding for capital outlay projects and $35 million for instructional equipment replacement, a total of $66 million, depends on voter approval of a General Obligation Bond issue by the State this November.

Sources: Department of Finance Memorandum E:247/1 (June 24,1985); California Community Colleges Board of Governors and Chancellery Memorandum, "Budget Comparison 1984-85 Through 1986-87," June 30, 1986.

California Student Aid Commission

Highlights of the Student Aid Commission's 1986-87 budget for programs include:

- Cal Grant A: A 5 percent increase in the grant maximum;
- Cal Grant B: A 5 percent increase in the grant maximum for fees and tuition, a 5 percent increase in the subsistence allowance, and an increase of 1,000 grants; and
- Cal Grant C: A 5 percent increase in the maximum award.
- Guaranteed Student Loan volume is expected to be $721 million for 267,000 students in 1986-87. Two hundred and seven million dollars from the Student Loan Fund is provided for the purchase of defaulted loans, of which $185 million will be paid by the federal government with the remainder coming from loan fees charged to students.

Conclusion

The State's 1986-87 Budget provides substantial funding for public higher education, with all three segments enjoying increases in funding greater than both the rate of inflation and the average percentage increase for State programs as a whole. For the second consecutive year, however, the Governor has withheld funds for merit salary adjustments and price increases for state agencies including the University and State University, faculty did receive these funds. The budget maintains existing programs and includes funds to address the problems of deferred maintenance and outmoded instructional equipment. Additionally, student fees are maintained at the 1983-84 level for the University and State University.

The picture for Community Colleges, however, is uncertain. Fifty-five million dollars -- $34 million for ADA stabilization and $21 million for matriculation -- are dependent on legislative actions that seem far from certain. Another $66 million in capital outlay and equipment replacement funds will have to be approved by the voters this fall through a General Obligation Bond issue. If this money,which totals $111 million, does not become available, the effects to individual Community Colleges could be detrimental.

Overall, this is a good budget to maintain California higher education. Though it contains few enhancements for educational programs, increased funding is provided for many of the segments' infrastructure needs and their highest priorities.

TABLE 5 Number of California Student Aid Commission Awards Budgeted for 1985-86 and 1986-87

Program	1985-86	1986-87	Percent Change
Cal Grant A	42,155	44,487	+5.5%
Cal Grant B	22,806	24,760	+8.6
Cal Grant C	2,393	2,455	+2.6
Bilingual Teacher Grants	1,032	520	-49.6
Graduate Fellowship	873	900	+3.1
Teacher Shortage Loan Assumptions	500	500	0.0
TOTAL	69,759	73,622	+5.5%

Source: Department of Finance, memoranda E:764/1, E:243/1, and E:242/1 (June 24, 1985).

Proposition 61 and Its Potential Impact on Public Postsecondary Education

PROPOSITION 13 co-author Paul Gann's proposed constitutional amendment, "Compensation of Public Officials, Employees, and Individual Contractors," has qualified for the November State ballot and has been designated as Proposition 61 by the Secretary of State.

Provisions of the initiative

If approved by the voters on November 4, Proposition 61 would have a variety of effects on State and local government entities. Among them:

1. The Governor's salary would increase from $49,100 to $80,000 a year.

2. The salaries of State constitutional officers (such as the Attorney General, Secretary of State, and State Controller) and members of the Board of Equalization would be set at $52,500 annually.

3. The maximum compensation for all elected and appointed State, city, county, and special district government employees and individual contractors would be 80 percent of the Governor's salary.

4. Any salary increase for the constitutional officers, Board of Equalization members, legislators, and judges would have to be approved by a statewide majority vote, while salary increases for city, county, and special district elected officials would have to be approved by their appropriate local electorate.

5. The compensation rate on contracts for "services of private contractors" could not be in excess of $75 per hour, and such contracts could not exceed two years in length. In the case of "special circumstances," the Legislature by a two-thirds vote could appropriate funds for State employee services contracts in excess of $64,000, so long as the contracts did not exceed four years.

6. State agencies would not be permitted to hire outside counsel unless the State Attorney General has formally noted a conflict in representing the agency.

7. Public employees would be prohibited from accumulating sick leave and vacation time from one calendar year to the next.

Unresolved issues

A firm estimate of the initiative's impact on postsecondary education is impossible, because several questions of legal interpretation regarding sections of the initiative are unresolved.

1. As used in the initiative, does the term "compensation" refer only to salaries or to both salaries and benefits?

   Mr. Gann has stated his intent that the terms "salary" and "compensation" be used interchangeably, and that benefits not be referenced in the proposed amendment. Legally, however, the term "compensation" has usually been interpreted as referring to employees' entire reimbursement package, including all benefits.

2. Does the salary cap in the initiative apply to all public employees or only to elected and appointed employees?

   Mr. Gann has stated his intent that this section apply only to "appointed" governmental employees and to all elected public officials. The Attorney General has issued an opinion, however, stating that all State civil service employees are "appointed" according to various sections of the *Government Code*. Many localities use the *Government Code* as the definitional basis for their hiring policies. Therefore, it is possible that many regular local employees are "appointed" as well.

3. Are Community College districts and school districts included in the "special districts" provisions of the initiative?

   The term "special district" that is used in the initiative usually refers to all special assessment districts and governing bodies of local government, but Mr. Gann has not stated whether or not it is intended to apply to Community College districts. These districts are seldom referred to as "special districts" but instead are often considered "school districts," which are not mentioned specifically in the initiative.

   Nonetheless, the consensus is that the broad range of Proposition 61 would apply to county offices of education, school districts, and Community College districts as well.

4. Would the University of California's constitutional status exempt it from the provisions of the Initiative?

   This question is unresolved, but University officials are operating on the assumption the University would not be exempt.

5. What effects will the initiative's implementation date have on existing employee compensation agreements?

   If approved by the voters, the constitutional amendment is scheduled to take effect the day following the general election. At that time, according to Mr. Gann, any agreements -- collective bargaining or otherwise -- that call for accumulated sick leave and vacation time would be void. The State Attorney General anticipates that many lawsuits will be filed by employee representatives over this issue since contracts in general are protected by the federal Constitution.

   The Office of the Legislative Analyst estimates the total value of sick leave and vacation time accumulated by municipal and State employees to be $7 billion. State and local governments could be required by the courts to pay this money to the affected employees and "buy out" these contractual benefits after the initiative goes into effect.

6. What would constitute "special circumstances" regarding contracting?

   The contracting limitations of the initiative could be set aside in "special circumstances" by a two-thirds vote of the State Legislature, but the initiative does not describe these circumstances and Mr. Gann has not spoken on this issue. If the initiative becomes law, it will be left to the courts -- or to the Legislature -- to define these circumstances.

7. What is the proposed limit on State contract services?

   It is not clear when the Legislature would be able to act under the "special circumstances" provision to exceed the initiative's limit on employee service contracts. For example, is it when the cost of services from a group of employees under a single contract exceeded $64,000 or when an individual employee contract exceeded this limit? The distinction is important, given the large variety of contracts signed by State agencies.

Potential effects on California public higher education

Passage of Proposition 61 would affect California public higher education in several major ways:

- Limits on compensation would result in a pay cut of between 5 and 15 percent for many employees of the University of California, the California State University, the California Maritime Academy, and Hastings College of the Law and possibly the California Community Colleges. The effects of a "salary-only" cap would be substantial but would pale in comparison to the consequences of a "total compensation" limit. Such a cap would mean salary cuts for nearly all administrators and would severely affect long-tenured faculty in the University of California and Hastings College of the Law as well as some State University faculty.

- The institutions could be forced to pay their employees up to three-quarters of a billion dollars for accumulated vacation time and sick leave. Staff would have to use up accumulated vacation time before December 31 or else forfeit the time, and the institutions could face serious problems if large numbers of employees took time off during

the seven weeks of this year following the election and at the end of each year thereafter.

- All staff at the Student Aid Commission and the Postsecondary Education Commission would be similarly affected by the initiative in some way, as would other administrative agencies in State and local government. Over time, the number of employees affected by the salary cap would greatly increase.

The following pages analyze the possible effects of the initiative on each of California's public higher education institutions -- the University of California, the California State University, the California Community Colleges, the California Maritime Academy, and Hastings College of the Law. For each, the analysis presents the potential consequences on personnel, leave benefits, and contracting. Since disagreement exists over the initiative's compensation limitations, wherever possible the data cover both a "salary-only" cap and a "total compensation" cap covering both salaries and benefits.

University of California

As noted earlier, the University's constitutional status might exempt it from the provisions of the initiative, but for the purposes of this analysis, the University is assumed to be subject to the initiative.

Effects on personnel

The University employs a total of 76,930 individuals in three categories: academic, administrative, and staff.

Table 1 below shows the effects of both "salary only" and "total compensation" limits on these three groups of employees. The first column shows the number of employees in each category. The second column shows the number and percentage of University employees affected by a "salary-only" cap -- that is, those employees whose salaries fall above the initiative's $64,000 limit. The third column presents the same effects on employees under a "total compensation" cap.

Effects on academic employees: The University's 18,180 academic employees include extension faculty and librarians as well as professors. If the compensation cap applies only to their salaries, 22 percent of them would have their salaries either frozen or reduced, but if the cap applies to total compensation, 33 percent would be affected.

TABLE 1 Potential Effects of "Salary Only" and "Total Compensation" Limits on University of California Personnel

	Number of Full-time Employees	Salary-Only Limitation (percentage)	Total Compensation Limitation (percentage)
Academic	18,180	4,032	5,990
Administrative	1,250	483	800
Staff	57,500	116	650
Total	76,930	4,631	7,440
Percent of Total Employees		6%	10%

Source: Memorandum from Jesse Shaw, Office of the President, University of California, to Mac Taylor, Office of the Legislative Analyst, June 16, 1986.

The effect on ladder rank faculty would be more severe, as Table 2 below shows. Of all the regular faculty who are now tenured or on tenure track, 45 percent would be subject to a salary-only limit, as would 62 percent to a total compensation limit.

The new limit would especially impact the University's professional schools -- architecture, business, dentistry, education, engineering, law, medicine, nursing, optometry, pharmacy, public health, and veterinary medicine. At present, 74 percent of the teaching faculty at these schools are above the initiative's "total compensation" limit. At the University's five teaching hospitals, over 90 percent of the teaching faculty receive compensation exceeding the total compensation limits.

Effects on University management: The University has 626 employees in its management program category, including nine campus chancellors and the president. Under a salary-only limit, 47.3 percent of these staff would have their salaries frozen or reduced. If the cap is for total compensation, 89.6 percent would be affected.

Effects on the Lawrence and Livermore laboatories: It is not clear whether employees of the Lawrence Berkeley and Lawrence Livermore National Laboratories would be subject to the initiative. The staff of these laboratories are employed by the University, but the laboratories are funded primarily by the federal government. The University General Counsel has issued an opinion that the law would not apply to University employees working and residing out of state, so personnel working at the Los Alamos Lab in New Mexico are not included in this analysis, but if the provisions do apply to California-based laboratory staff, an additional 3,000 people (27 percent of the total laboratory staff) would have their compensation either capped or cut, including more than half of the scientists and engineers at Lawrence Berkeley and 96 percent at Lawrence Livermore.

Vacation and sick leave

Under the provisions of Proposition 61, public employees would be prohibited from carrying forward accumulated vacation or sick days from one calendar year into the next. The immediate fate of leave time accumulated by the date of the November election is unknown at present but any vacation or sick leave not used by December 31 could be lost as most constitutional amendments take effect on January 1.

TABLE 2 Effects of a "Total Compensation" Limit on University of California Academic Employees

	Total Number of Academic Employees	Number and Percent of Academic Employees Affected
Teaching Faculty	11,940	5,350 45%
Ladder Rank Faculty*	(6,830)	(4,230) 62%
Researchers	4,530	390 9%
Librarians, Cooperative Extension Faculty, and Others	1,710	250 15%
Total Academic	18,180	5,990 33%

* Ladder rank faculty are part of the University's teaching faculty.

Source: Memorandum from Jesse Shaw, Office of the President, University of California, to Mac Taylor, Office of the Legislative Analyst, June 16, 1986.

It is difficult to speculate as to the impact of the loss of sick leave, which currently total 18.9 million hours accrued. The University does not regard sick leave as a vested right under employee contracts, but, given court decisions in this area, some type of compensation might be mandated for its loss. Vacation time poses an immediate problem for the University because it is definitely considered a vested right, and compensation for the forfeiture of accumulated vacation time would undoubtedly be ordered. Current estimates are that University personnel have amassed more that 9.3 million hours of vacation time. Depending on legal interpretations as to the constitutional amendment's effective date, this one provision could cost $320 million in expenditures for the University, unless employees used up their vacation time prior to December 31.

Contracting

The initiative would limit outside contracts to $75 per hour and a maximum length of two years unless by a two-thirds vote and "special circumstances" the Legislature permitted exceptions to the $64,000 total compensation limit on employee services contracts and extended the length of contracts to four years. This provision would place a hardship on the University. According to William Baker, its Vice President of Budgetary and University Relations:

> We think it is unlikely that the University could find a single professional who would bill for services at a rate permissible under the Gann initiative. This includes, for example, highly trained specialists such as design professionals, auditors, accountants, architects, and bond counsel.

The California State University

Effects on personnel

At present, 402 State University employees, or 1.3 percent, receive salaries in excess of $64,000. They include the chancellor, vice chancellor, campus presidents, vice-presidents, and deans. If the initiative were interpreted as limiting total compensation to $64,000, State University officials estimate the salary portion of that limit would be $46,720, which would place approximately 1,315 State University employees, or 4.1 percent, at or over the limit. This number would include 394 faculty members, 26 executive employees, 33 clinic physicians, and more than 800 management and administrative personnel.

The State University's estimates of the number of its faculty affected by the initiative are conservative at best, in that they measure its effects on only base salaries. Many faculty members supplement their base salary by teaching in State University summer sessions or extension programs. In addition, those in specialized areas such as computer science, business administration, and engineering often consult with public agencies and private firms. No data exists on the number of State University personnel who would be elevated over the salary cap by these additional activities.

Vacation and sick leave

The State University regards both sick time and vacation time as vested rights in its employee contracts. Therefore, it is likely that its employees will have to either be compensated for the lost time or be required to use it prior to January 1, 1987. If many employees were to schedule vacations or use sick leave in November and December, the State University -- like most educational institutions -- would find itself severely understaffed every year during those months.

The State University estimates that the value of vacation and sick leave accrued by its employees is between $300 and $400 million. It also notes that the initiative would affect its employees who have taken early retirement but continue to teach.

Contracting

The limit of $75 per hour for outside contracting would affect at least 200 and possibly as many as 2,000 of the State University's existing contracts, including services for financial aid billing and collection, bond counsel and consulting, outside auditing, independent accounting, and guest speakers. The ambiguity regarding the "special circumstances" clause in the initiative leaves unresolved the extent it might be invoked to help the State University retain any of these contracted services.

Of more serious concern to State University officials is the initiative's two-year limit on the duration of all contracts. They estimate that it would affect

between 2,000 and 3,000 contracts for services ranging from elevator maintenance to library services. For instance, architectural and construction firms would have to violate industry conventions and practices, where agreements usually extend from preliminary planning through construction, if they bid on a contract lasting anything less than the entire four-year building process. Similarly, most telecommunications' contractors and consultants would be reticent to bid on a contract for only two years.

The State University General Counsel could be adversely affected by the restrictions on its ability to independently contract with outside counsel for legal representation of the State University in dealings with the State Personnel Board, Public Employees Relations Board, and other State and federal agencies, as well as in student disciplinary matters.

As is true of other governmental agencies, the State University would probably not be able to hire enough permanent personnel to perform essential services now handled under contract by outside agents.

California Community Colleges

Effects on personnel

As mentioned earlier, there is some question whether or not the initiative's compensation cap would apply to Community College employees. Like school districts, Community College districts are not mentioned by name in the initiative, but they are sometimes described as "special districts," which are covered by Proposition 61.

The Chancellery of the Community Colleges has estimated that if the cap were to apply to the Community Colleges and affect only salaries, it would reduce the salaries of some 250 Community College employees statewide by a total of $600,000, based on 1985-86 salaries in excess of $64,000. Of the 250, which is 0.4 percent of Community College employees statewide, all but 10 or 15 are administrators, and the rest are full-time faculty. If the limit were on total compensation, and if the average benefit package makes up 30 percent of that compensation, the estimated reduction needed to bring total compensation within the Initiative's limits would be approximately $7 million. It wouold involve some 2,000 Community College employees who were compensated in 1985-86 above the $50,000 salary level that a $64,000 total compensation limit would permit. Of this number, which is approximately 3.5 percent of their total employees, 1,400 are administrators and 600 are full-time faculty.

In a June 25 memorandum,"Estimated Impact of the Gann Public Pay Initiative on Community College Employees." to the Senate Office of Research, the Chancellery issued the following statement regarding the compensation limit:

> It is not possible to estimate the number of employees or the amount of total compensation for employees that work for two or more public employers. It is estimated that approximately 30 percent of part-time faculty members are full-time elementary or secondary school teachers. It does not appear that it would be possible to control salaries within the new limit when employees work for two or more public agency employers unless the control were by the State Franchise Tax Board.

Vacation and sick leave

According to the Chancellery, the value of vacation and sick leave balances of all 62,000 Community College employees as of December 31, 1986, will be approximately $124 million, based on an estimated average balance of one month's leave per employee at a value of $2,000 a month.

Contracts

No information is currently available on the effects of the initiative's contracting restrictions on the Community Colleges, but these effects would probably be similar to those on the State University.

California Maritime Academy

Effects on personnel

If the initiative's compensation limit pertains only to salary, the salary of the California Maritime Academy's president would be affected immediately, while those of other executives and department heads would be affected within two years. If the limit applied to total compensation, the president and eight department heads would face immediate

pay reductions. In general, Academy officials feels that it would be impacted by the initiative in much the same way as the other public segments.

Vacation and sick leave

Academy officials have calculated that between $200,000 and $300,000 would be needed to pay off accumulated employee leave time. The Academy has no reserve fund for such a contingency and would have difficulty complying with any legal mandates to that effect. At the same time, it does not have the staff to operate if many employees were to use up their vacation time between early November and late December.

Contracting

The Academy usually has few contracted consultants or teachers earning more than the $75 per hour limit in the initiative, but it occasionally contracts with specialized instructors, legal consultants, and the like, and these contracts would be affected. The two-year limit on contracts would discourage many potential vendors of services.

Hastings College of the Law

At present, no detailed information is available to analyze the potential effects of Proposition 61 on Hastings College of the Law. Personnel officials of the college, however, have informed Commission staff that the initiative's salary/compensation cap would affect between 90 and 95 percent of the Hastings faculty, and its leave and contracting provisions would have a severe impact on College operations.

Conclusion

Clearly, the passage of Proposition 61 would seriously disrupt California public higher education, even if the extent of the effects are unclear because of the initiative's ambiguities.

If Proposition 61 is applied as written, the ability of the State's public colleges and universities to recruit and retain senior-level faculty and administrators would be immediately jeopardized. Moreover, the problems would grow over time since the initiative's salary adjustment provisions are so rigid as to discourage any future increases.

Further, all employees would likely be affected negatively by provisions restricting their vacation and sick leave, and the institutions would face serious limits on their ability to contract for services.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature.

Members of the Commission

The Commission consists of 15 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. The other six represent the major segments of postsecondary education in California.

As of January 1986, the Commissioners representing the general public are:

Seth P. Brunner, Sacramento, *Chairperson*
C. Thomas Dean, Long Beach
Seymour M. Farber, M.D., San Francisco
Patricia Gandara, Sacramento
Ralph J. Kaplan, Los Angeles
Roger C. Pettitt, Los Angeles
Sharon N. Skog, Mountain View
Thomas E. Stang, Los Angeles, *Vice Chairperson*
Stephen P. Teale, M.D., Mokelumne Hill

Representatives of the segments are:

Yori Wada, San Francisco; representing the Regents of the University of California

Claudia H. Hampton, Los Angeles; representing the Trustees of the California State University

Beverly Benedict Thomas, Los Angeles; representing the Board of Governors of the California Community Colleges

Jean M. Leonard, San Mateo; representing California's independent colleges and universities

Willa Dean Lyon, Newport Beach; representing the Chairman of the Council for Private Postsecondary Educational Institutions

Angie Papadakis, Palos Verdes; representing the California State Board of Education

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including Community Colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory planning and coordinating body, the Commission does not administer or govern any institutions, nor does it approve, authorize, or accredit any of them. Instead, it cooperates with other state agencies and non-governmental groups that perform these functions, while operating as an independent board with its own staff and its own specific duties of evaluation, coordination, and planning,

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, the Commission's meetings are open to the public. Requests to address the Commission may be made by writing the Commission in advance or by submitting a request prior to the start of a meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, William H. Pickens, who is appointed by the Commission.

The Commission issues some 40 to 50 reports each year on major issues confronting California postsecondary education. Recent reports are listed on the back cover.

Further information about the Commission, its meetings, its staff, and its publications may be obtained from the Commission offices at 1020 Twelfth Street, Second Floor, Sacramento, CA 98514; telephone (916) 445-7933.

Appropriations in the 1986-87 State Budget for the Public Segments of Higher Education

Prop. 61 and Its Potential Impact on Public Postsecondary Education

California Postsecondary Education Commission Report 86-28

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, Third Floor, 1020 Twelfth Street, Sacramento, California 98514; telephone (916) 445-7933.

Other recent reports of the Commission include:

86-11 Update of Community College Transfer Student Statistics, University of California and the California State University, Fall 1985 (April 1986)

86-12 Time and Territory: Phase II. A Report to the Legislature in Response to Supplemental Language in the 1985-86 Budget Act. (April 1986)

86-13 Progress in Facilitating the Transfer of Community College EOPS Students: A Report to the Legislature and Governor in Response to Assembly Bill 1114 (Chapter 1586, Statutes of 1985) (April 1986)

86-14 A Permanent Site for Los Angeles Mission College: A Report to the Legislature and Governor in Response to a Request for Capital Funds from the Los Angeles Community College District. (April 1986)

86-15 Student Financial Aid in California: The First of Two Background Papers on Student Financial Aid Issues and Options Prepared for the California Postsecondary Education Commission, May 1986 (May 1986)

86-16 Purposes and Effects of Student Financial Aid: The Second of Two Background Papers on Student Financial Aids Issues and Options Prepared for the California Postsecondary Education Commission, May 1986 (May 1986)

86-17 Director's Report, May 1986: Enrollment Trends in California Higher Education, 1980-1985 (May 1986)

86-18 California Postsecondary Education Commission News, Number 1 [Inaugural issue of the Commission's periodic newsletter] (June 1986)

86-19 Analysis of the State University's Criteria for Approving Permanent Upper-Division and Graduate Off-Campus Centers: A Report to the Governor and Legislature in Response to Senate Bills 785, 1060, and 1103 (1985) (June 1986)

86-20 Annual Report on Program Review Activities 1984-85: The Tenth in a Series of Reports to the Legislature and Governor on Program Review by Commission Staff and California's Public Colleges and Universities (June 1986)

86-21 Eligibility for Institutional Participation in the Cal Grant Program: A Report to the Legislature and Governor in Response to Senate Bill 362 (Chapter 772, Statutes of 1985) (June 1986)

86-22 Transforming Data into Information: Improving Student Performance Reporting: A Staff Report to the California Postsecondary Education Commission (June 1986)

86-23 Comments from the Community: Working Papers and Testimony Before the ACR 3 Committee on Educational Opportunities and Services for Students with Disabilities in California (July 1986)

86-24 California Colleges and Universities, 1986: A Guide to Degree-Granting Institutions and to Degree and Certificate Programs (September 1986)

86-25 California College-Going Rates, 1985 Update: The Ninth in a Series of Reports on New Freshman Enrollment at California's Colleges and Universities by Recent Graduates of California High Schools (September 1986)

86-26 Supplemental Report on Academic Salaries, 1985-86: Faculty Salaries in the California Community Colleges; Selected Administrative Salaries at the University of California and the California State University (September 1986)

86-27 Special-Action Admission at California's Public Universities: Recommendations for Strengthening an Alternative Route to Success at the University of California and the California State University (September 1986)